

# Information about remuneration to employees at Ikano Bank in accordance with the Swedish Financial Supervisory Authority's regulations (financial year 2013)

## Policy on remuneration and benefits

The Swedish Financial Supervisory Authority's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1), came into force on 1 March 2011.

The Board of Directors of Ikano Bank AB (publ) has adopted a policy on remuneration and benefits. The policy is updated and approved by the Board of Directors at least once a year. The policy includes the fundamental principles applied by the Bank regarding fixed and variable remuneration. Within the Board of Directors, there is a remuneration committee consisting of at least two Board members. The committee prepares Board decisions regarding remuneration issues and makes an independent assessment of the remuneration system and policy for remuneration and benefits. During 2013, the remuneration committee held eight meetings.

At least once a year, the Bank analyses which risk its operations are exposed to and also details identified staff according to the categories listed in FFFS 2011:1. 57 of the Bank's 719 employees (average number 2013) have been identified as especially regulated personnel. During 2013, the lending operations of the fellow subsidiary in the UK, Ikano Financial Services Ltd, were acquired by the Bank, and as a result, the average number of employees in the Bank rose by 184.

## Main reasons and parameters for variable remuneration

Ikano Bank AB (publ) has little variable remuneration. It is considered that the criteria existing in order for variable remuneration to be paid, will not contribute to encouraging unsound risk-taking in the operations. The reasons for the Bank to have variable remuneration are to stimulate personnel to perform better, to stay within the Bank and to develop their respective Business areas. The criteria below apply for fixed and variable remuneration, respectively.

### Fixed remuneration

- Type of work (the work tasks' degree of difficulty)
- The remuneration on the local market where the Bank operates

The fixed remuneration is assessed on an annual basis and shall reflect the remuneration levels for employees on the position in question. Paying salaries in line with the market in order to be able to hire and keep competent personnel.

### Variable remuneration

Ikano Bank AB (publ) applied (2013) three different models for variable remuneration: 1) long-term incentive programs for certain people within executive management and certain people in the management group of the Bank's UK branch; 2) a short-short incentive program for line managers in the Bank's UK branch and 3) commission programs for certain salesmen.

The majority of the Bank's executive management participates in an incentive program that applies for key personnel in the entire Ikano group. The criteria for variable remuneration are linked to the result for the Group, the Bank and/or the Business area and for the individual. Ikano S.A.'s (the Group parent) and the Bank's judgment of result used for calculating variable remuneration, is based on risk adjusted profit measures. When making this judgment, both present and future risks are taken into consideration, as are the actual costs for the capital and cash flow needed by the operations. Any remuneration is paid in four rates during a period of three and a half years from the starting point of earning. Deferred remuneration (80 per cent) is paid pro rata once a year starting one and a half years after earning.

The Bank does not pay deferred remuneration unless it at each time of payment is defensible as seen from the Bank's financial situation and motivated by the result of the Bank, the Business unit in question and the employee. Every payment is prepared by the remuneration committee and decided upon by the Board of Directors. At full dividend, the incentive program can give the executive management a maximum of five months' salaries each (for each earning year).

The UK branch has two incentive programs. The members of the management group in the Bank's UK branch are entitled to participate in a short-term incentive program based on the (risk adjusted) financial result for Ikano Bank AB (publ) and for the UK branch, as well as on individual goals. The program can give a maximum corresponding to 35 per cent of the employee's fixed yearly salary per year. All participating employees are especially regulated personnel but none of them are part of the Bank's executive management. Any remuneration is paid in four parts during a period of three and a half years starting from the point of earning. Deferred remuneration (45 per cent) is paid pro rata once a year starting one and a half years after earning.

In addition to this, certain line managers in the UK are entitled to bonus up to 12.5 per cent of the fixed yearly salary. The outcome is linked to the risk adjusted overall result (budget) for the branch. None of the participating employees are especially regulated personnel.

The Bank also applies five different (regional) commission programs for salesmen. The programs give entitlement to commission based salary that is without connection to such future risk commitments that can change the Bank's income statement and balance sheet and therefore are not covered by FFFS 2011:1. The commission based salaries are linked to individual sales.

During 2010, apart from the above mentioned variable remuneration, the Bank applied a short-term incentive program for 30 employees. This incentive program has been terminated, but for seven employees (especially regulated personnel), 60 per cent of the outcome has been deferred until 2014.

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## Expensed remuneration (kSEK)

### Expensed total amounts for remuneration per Business area (country)

These total amounts include all remuneration (paid, earned and/or pledged), social security contributions, special tax on pensions or corresponding fees/taxes. They also include collective personnel costs. More information about the total amounts can be found in the Bank's annual report for the financial year 2013.

Sweden	313 554
Denmark	95 212
Norway	46 685
Finland	5 023
Netherlands	5 890
UK	55 166
<b>Total (kSEK)</b>	<b>521 530</b>

### Fixed and variable remuneration

The amounts below (fixed and variable remuneration) represent total remuneration paid during 2013 in all countries, and *do not* include social security contributions, special tax on pensions or corresponding fees/taxes. Nor do they include collective personnel costs.

*Fixed remuneration* is all remuneration, including salaries, commissions, pensions and other benefits, that is not variable remuneration. *Variable remuneration* is such remuneration that is covered by the definition of variable

remuneration in FFFS 2011:1. As far as the Bank is concerned, the definition includes long-term and short-term incentive programs but not commission programs for the Bank's salesmen.

No adjustment has been made of the variable remuneration that was paid during 2013.

	Fixed remuneration	Number of people that have received fixed remuneration	Variable remuneration	Number of people that have received variable remuneration
Executive management	16 242	9	731	6
Other especially regulated personnel	53 003	48	2 396	9
Other personnel	305 002	662	1 690	16
<b>Total (kSEK)</b>	<b>374 247</b>	<b>719</b>	<b>4 817</b>	<b>31</b>

### Deferred variable remuneration

For the incentive programs that regard key personnel, 80 per cent of the outcome has been deferred for payment in three parts (pro rata) during a three year period (20-40-20). For the incentive program that regards the management group for the UK branch, 45 per cent of the outcome has been deferred for payment in three parts (15-15-15). For the short-term incentive program (terminated), 60 per cent of the outcome for seven employees has been deferred in its entirety until 2014.

Deferred variable remuneration	
Executive management	1 100
Other especially regulated personnel	4 211
Other personnel	320
<b>Total (kSEK)</b>	<b>5 631</b>

### Pledged and paid remuneration

The amounts below include fixed and variable remuneration paid in 2013, as well as such remuneration that was earned and/or pledged during 2013.

Pledged and paid remuneration	
Executive management	18 073
Other especially regulated personnel	59 610
Other personnel	317 038
<b>Total (kSEK)</b>	<b>394 721</b>

### Severance payment

The severance payments below do not include salaries during notice of termination during which the employee has been excused from work duties. Nor does pledged severance payment include extended notice of termination for employees in the executive management (12-24 months). For more information about notice of termination for the executive management, see the Bank's annual report for the financial year 2013.

The former Managing Director resigned from his role in 2012 and officially relinquished his employment on 30 September 2013. Until this date, the outgoing Managing Director was excused from work duties. Apart from salary during the notice of termination, the outgoing Managing Director received a severance payment equivalent to one year's salary and benefits in September 2013. This payment is included in Other personnel.

<b>Severance payment</b>	<b>Paid</b>	<b>Number of people paid</b>	<b>Pledged</b>	<b>Number of people pledged</b>
Executive management	Nothing	None	Nothing	None
Other especially regulated personnel	Nothing	None	Nothing	None
Other personnel	8 607	8	1 419	3
<b>Total (kSEK)</b>	<b>8 607</b>	<b>8</b>	<b>1 419</b>	<b>3</b>

### **Guaranteed variable remuneration**

No guaranteed variable remuneration was paid during 2013. However, 2 people (salesmen) have received guaranteed commissions in connection with hiring, amounting in total to 153 kSEK (paid 2013).

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